CASE HISTORY

New Balance Manufacturing System Emphasizes the Human Side of Lean

Summary: New Balance is the only major athletic shoe company that continues to have domestic manufacturing operations. Their factory in Lawrence, Massachusetts, is one of five U.S.-based plants where managers and teams are implementing the practical principles of Keir Carroll’s “Leading and Motivating” workshops as part of their New Balance Lean Manufacturing System (NBLMS).
If there’s a major shoe company that marches to a different beat, it would surely be New Balance.

Based in Boston, Massachusetts, the company made their first pair of running shoes in 1938, and today they employ more than 2,800 people around the world.

New Balance describes their products as technologically innovative performance footwear for women, men, and children. That includes shoes for running, walking, training, basketball and tennis, as well as cleated and kids styles.

New Balance has developed a loyal and dedicated following by focusing on “fit and function” and continuing to offer shoes in differing widths. And they have built and maintained their business through brand loyalty and word of mouth, rather than through high-profile advertising and celebrity endorsements.

More importantly, they are the only major manufacturer still making athletic shoes in the United States. New Balance operates two plants in Massachusetts and three in Maine, with approximately 25% of the shoes they sell in North America made or assembled here – some 7 million pairs a year. And the New Balance Lean Manufacturing System (NBLMS) makes that possible.

Lean Manufacturing Initiative
To stay competitive in a global market and as a way to continue to manufacture products domestically, the company began implementing its lean manufacturing system in 2004. Production manager George Skafas credits New Balance’s vice president of manufacturing, John Wilson, for setting this in motion.

The effort began in the company’s Lawrence, Massachusetts, plant with an initial focus on logistical considerations like combining manufacturing operations on a single floor, defining the production process in very specific steps, tracking workflow, and achieving stability in their operations.

Today that manufacturing operation occupies the brightly lit second floor in a rehabbed industrial era brick building that sits alongside the Merrimack River. On one side of the aisle, teams or “cells” make shoes from start to finish using domestically produced parts, while on the other side the teams do final assembly and finishing that includes components from overseas in an operation that is called “closing”.

Employees follow a specific series of steps that are designed to minimize waste, optimize output, and achieve a steady flow of product through the manufacturing process. The whole factory operates on the concept of “takt” time, which is basically the pace of the work as it follows a single-piece flow process through the production cycle. As is typical for this type of “just in time” manufacturing, parts are delivered where they’re needed as they’re needed. Maintaining proper workflow is critical, which certainly means producing product to keep pace, but also means not producing too fast or too much product.

It’s lean - With a difference
In its technical respects, their implementation was typical, George says, but it’s their emphasis on the human side that distinguishes New Balance from many of the companies that have implemented so-called “lean” systems.

He describes NBLMS as a hands-on, tacit learning system. “You’re actively involved on the shop floor in applying the principles, and those principles are certainly in line with our company culture prior to this implementation, which is very people focused.”
“Our leaders, Jim and Anne Davis, are exceptional people, and they have definitely committed to domestic manufacturing. As we lean the process and make more with fewer people, no one has ever lost their job. That’s the commitment to the people.

“That has to exist if you’re going to have a successful lean implementation. People can’t be threatened by the fact we’re doing as much or more with fewer of us and be wondering ‘What’s happening to me?’ They have to feel safe that they will have continued employment here.

“There isn’t any question here from any of our people, even during some difficult times when business may have been off a little. No one is ever laid off at New Balance,” he says, adding that the company’s workforce has been steady for three years.

“From the seat I sit in, I have a comparison. ‘Lean’ is like a diet plan. There are so many versions out there focused on losing weight, and if you commit and have the discipline to follow any one of them, you will lose weight. Of course, there are similarities among the basic principles of the various systems, but it’s the way you go about implementing it that makes a difference.”

**Workshops in leading and motivating**

To help with the human part of the equation, New Balance has provided its managers and HR professionals with a series of workshops on Leading and Motivating, Creativity, and Conflict. Communication presented by Keir Carroll, a consultant with many years’ experience in the field, who has worked with many of the world’s top corporations.

His firm, Keir Carroll and Associates, specializes in designing and delivering fast-paced, practical, and highly entertaining learning experiences that boost leadership and communication skills throughout organizations. These custom-designed workshops integrate ideas, reflection, skill practice, and instrumentation.

The first workshop on “Leading and Motivating” was held at Lawrence in April 2008 and was open to general managers from all five domestic plants.

George attended that session with his boss, Lawrence plant manager Claudio Gelman, and, based on their experiences, they decided that they wanted all of the company’s plant managers and supervisors to take part. They commissioned a second L&M workshop exclusively for manufacturing that was held in November 2009.

“I highly recommended it, and fortunately, upper management responded favorably to it.” George relates.

“Production managers, plant managers, and HR representatives all attended this second training that Keir provided.”

**Human side of change**

Among the topics that Keir covers in the Leading and Motivating workshop are communication, feedback, positive and negative reinforcement, and change management – with a particular emphasis on the latter.

“In the short term,” he says, “people usually see change as just ‘new stuff’ which either entails more work or a less familiar – and thus less comfortable – kind of work. But people are generally adaptable to change over the long term, and part of what I bring to the party is how to get people into that thinking – and love doing it.”

What sometimes gets overlooked, Keir notes, is the necessity of favoring the human side.

“If there’s a choice between bringing in a new technology or getting a small group of people together and having them figure out a better way of doing business, it often pays to do the latter. People are always more willing to make the thing work if it’s their idea in the first place,” he says.

“Companies also need to realize that lean manufacturing is as much – or more – of a psychological system as it is an engineering system, and that it takes time, energy, and focus to instill both the operational principles and the underlying rationale into people in the plant.

“It boils down to effective leadership skills, to choosing not to put your entire faith into the mechanical aspect of making the system work, but rather looking at what makes people care about the system.”

**Leadership learning**

At a practical level, managers learn how to influence outcomes through the use of Positive Immediate Consequences (PICs) and Negative Immediate Consequences (NICS). This work in concert with providing objective feedback on how close or far you are from being on target.

“Feedback by itself should be inherently fact-based or informative, without emotional overtones” Keir says, “You’re just learning what you did right and what you did wrong. It’s the consequences that go along with the feedback that make a difference in how people react and behave.

“If I say ‘Thanks’ along with the feedback, that’s the consequence. You’re getting something positive directly connected to the very specific feedback.”

“The workshop gives people the opportunity to take these very simple-to-understand but difficult-to-put-into-practice ideas and then apply them in little chunks to real life things. During the workshop, participants get some practice in specifying the behaviors and actions they want from others. The road map is getting clarity on what you want them to do, say, or deliver – and noticing them whenever they do so.

“The culminating exercise in this workshop brings the learning right to where you live, right to the heart. In a very short period of time, people experience what it feels like to work for a leader who is adept at that program and discover why the three other styles of ‘leading’ don’t work to motivate.

“Then we debrief on what it was like to work under those different
circumstances. What’s amazing is the power of the emotional response in people with an exercise that takes no more than five minutes. They can imagine what it’s like to work under the different conditions day-in day-out, week-in week-out, month-in month-out, year-in year-out.

“They emerge from the workshop with an almost excruciating self awareness about how the slightest action from a leader can have grotesquely disproportionate effects on the people around them, either to motivate or to demotivate.”

**Encouraging good habits**

“Your job as a leader is not only encourage habits that build success, but also to discourage habits that fight success, which means your job is to notice behaviors, notice habits. The big thing is we change other people’s habits, not by changing what they do but by changing what we do.

“In manufacturing, people are pretty good about delivering the bad news, because it usually sticks out like a sore thumb. If something stops the line, that becomes a trigger, so that I go and fix it, because that’s how I’ve been brought up, to solve problems.

“But if something goes right, the tendency is just to carry on. What I’m trying to do is to get them to say, okay, something going right is a trigger to go and find out how and why it went right and reinforce it – then and there or as soon as you reasonably can – so it goes right again in the future. And that should happen on the spot, specifically pointing out what it’s for.”

**Recognizing employee contributions**

New Balance has incorporated this concept in their system by setting up a very specific rewards structure that includes immediate positive reinforcement by team leaders and peers, which is underlined by the company’s formal recognition program.

That includes various award levels coupled with monetary incentives ranging from a simple “NB Thanks” award at the $15 level that comes with coupons for coffee at Dunkin’ Donuts or movie tickets, to the “Bravo” level with monetary rewards from $25 to $100, on up to “All Star” and “Team of the Quarter” awards.

George Skafas says, “Keir has the ability to take these basic concepts and present them in a way as to really make an impression. He’s a remarkable trainer, and he has the ability to inject people with enthusiasm.

“But I think the real motivating factor out here is that fact – and that goes along with Keir’s training – is that we’re thanking people for doing what’s expected of them.

“What Keir has pointed out in his training is, not just for doing a good job, but specifically for what you did that you get the recognition for, and pinpointing it right at the time. It’s a quite remarkable concept, this pinpointing. It’s a perfect complement to the management system and the manufacturing system that we apply here.”

**Making it measurable**

On-the-spot recognition has become one of the key items that the manufacturing group at New Balance tracks in its daily project management and general operations meetings. They’ve even gone so far as to incorporate Keir’s ideas on recognition into forms that were developed in cooperation with the HR department.

“We’re trying to live this concept here in New Balance,” George says, “and we’re trying to find a way to actually measure. One of the fifteen reportable items or measurables that we have, is ‘Who did you recognize today, and for what reason?’ It’s the concept of pinpointing exactly what the person is being recognized for.

“We’re very focused on motivating people – ordinary people doing extraordinary things – and it’s also about satisfaction. Once a year we do an associate survey. It’s done throughout New Balance, and typically, our results have always been exceptional. Ninety-six per cent say that they know what is expected of them, that they have the tools that are necessary for them to be successful, that they’re listened to, that they’re communicated with, all of those things that go toward making a collaboration work.”

**Team involvement**

“With any of the improvements that we make on the shop floor, we have kind of a tradition if we are going to go through a re-balancing process. Let’s say you have a 6-person cell and we find that we can do the same work with five people, not by asking anyone to work any harder, but by asking you to eliminate the waste in your process.

“We would meet with that group for a half an hour and we show them the balance charts, explain to them that we expect that there will be problems and that we don’t have the answers, and that they know best on how to deal with these problems. We need their help, we’ll be there to support in management and supervision and engineering and technical help, and we wish to meet the first degree of stability.

“During these meetings, it’s required, we want everyone to touch it. What are your thoughts? What are you thinking going into it? What did you learn after the activity.

And usually, in a humorous way, are you ready for the next one? Always setting the stage.

“Involvement in this type of a process helps everyone focus their thinking toward getting waste out of the system. Our people are tremendously responsive at this stage. They have all been through numerous changes in work content, and they expect more of the same.”

**The Wall of Fame**

New Balance has made it a priority to gets 100% participation in the process of waste reduction and continuing improvements, and all of the employees have their contributions toward improvement recognized on the
company’s Wall of Fame, where their photos are posted at the entrance to the shop floor.

“Every associate on the shop floor is actually required to come up with a documented improvement to the process every year, and we usually average four ideas per person for the year,” George says.

“We explain the steps and what that cost and what that benefit is. So, when we talk about our continuous improvement environment, we’re talking about everyday simple waste reductions that drop by drop overflow that bucket and create that thinking process of how do we eliminate the waste. That’s what our goal is.

“Now it’s a matter of, ‘Okay, what are we all going to do about it?’ We have added this to our daily agenda. It’s a reportable item. We’re expecting that people provide this positive reinforcement on a daily basis and report on the results.”

Evolving management style
“Keir’s training in clearly defining the difference between feedback and motivation led me to look at things a lot differently in my own style in dealing with our associates,” George adds.

“You know, even with the best of intentions, providing feedback it’s not always well received. There’s a time for it for improvement, but maybe what you’re looking for in a peer group is the positive reinforcement and ‘Why am I going to continue to do more of the same?’

“We’ve tried to recognize that in ourselves and pass it on to supervisors and actually the flow coordinators in working with their people. It’s a powerful tool, and it doesn’t cost a nickel. It’s all the things our mothers taught us. That’s the wonder of this system.

“So, we’re reaching out continually to our people and we’re trying to motivate them and recognize them with this thinking and training that Keir has provided.”

Spreading the word
The experience of the Lawrence plant has become a good reference model that the company is now working to share with all of its domestic manufacturing operations.

“Our plant manager, Claudio Gelman, and I have both attended Keir’s training sessions, and we’re trying to spread the word to the other domestic managers,” George says.

“Having had that training, we took some of the concepts that Keir taught and thought that it would be a good idea to share this common language and common philosophy with the rest of the management group. One of the next steps that we just accomplished is to have all of the manufacturing managers and HR groups attend the training.

“We’re trying to spread this thinking throughout our entire organization and pass it down, not only from managers to supervisors, but from supervisors to our lead people and also to our associates. We also have a program where associates are starting to recognize their peers.

“We’re trying to develop our people and also coach them to be motivators and improving their soft skills. They’re interacting directly with other associates, so we’re trying to make them stronger. So this concept of positive motivation and pinpointing is something that we are passing down.”

As a leader in implementing lean manufacturing, the Lawrence facility gets a lot of requests from other companies for tours.

“Visitors are impressed with what they see on the shop floor,” George says, “but it’s the culture in particular and the involvement of the people that stands out, especially in comparison to what they’ve seen in other plants. What we’ve been able to do as far as involving our people and culture they find to be quite remarkable.”

Spotlight on leadership
Keir Carroll applauds the fact that George and Claudio have taken these concepts to heart and are putting them into practice in the real world.

“Of all the things you do as a leader,” Keir concludes, “you can outsource or delegate many things, but you can’t outsource or delegate motivation. That’s because you’re always in the spotlight. Whatever you do or say shows up in the lives of the people around you as something they like or something they don’t, i.e., positive or negative consequences.

“Peter Drucker said leadership is getting action through others. What I want to help managers learn is how to gain willing action or enthusiastic action through others. But it’s not the art of persuasion. It’s about using objective measures and positive and negative consequences to motivate them to do this stuff and de-motivate them to do that stuff.

“It’s easy to understand but very hard to do. You need discipline, you need attention, and you need to change a lot of your own beliefs about people, too. Sometimes, it also means confronting people who are not doing a good job, and most of us are pretty uncomfortable about that and find it stressful and miserable.

“None of these things is as easy as it sounds. Which is why it matters to have a system, a structure, a schedule, a timetable. What George and Claudio have done that is brilliant is to make the behavior of delivering positives a ‘reportable’ item. They’ve built it into what they’re doing.

“That’s what distinguishes any really effective company from other companies. The other companies will give lip service to any fad that comes down the road, but the effective ones build it into their systems, into their processes. And that’s what New Balance has done. They’ve baked it in. They’ve done a beautiful job.”
About Keir Carroll & Associates

We are Experts in Leadership Learning™ who provide dynamic learning experiences specifically designed to meet your organization’s leadership development needs.

Established in 1985, our firm specializes in designing and delivering fast-paced, practical, and hugely entertaining learning experiences that boost leadership and communication skills throughout organizations.

We see Leadership Learning™ as a process rather than an event or series of events. We are your colleagues in designing experiences, over time, where leaders and potential leaders have the opportunity to reflect, to experiment, to translate ideas into practical actions, all with the right balance of support and stretch.

Our custom-designed workshops integrate ideas, skills practice and instrumentation. They are an important part of leadership development, but workshops alone rarely lead to behavior change.

The Leadership Learning™ approach creates a customized learning strategy that transforms noble aspirations into practical action. Elements of the strategy might include Action Learning, one-on-one coaching, peer support, networking, executive sponsorship, role-modeling, reinforcement, and recognition, just to name a few. But what counts is that these elements are carefully crafted ahead of time and rigorously monitored along the way.

About Keir

Born in England, Keir Carroll holds master’s degrees from Cambridge University and Boston University. He has taught at Boston University, Suffolk University, and UNC (Chapel Hill).

As a management consultant and trainer, he has been on the faculty of the world-renowned Center for Creative Leadership, as well as the Rensselaer Learning Institute and the prestigious Center for Executive Development.

A team approach

Keir leads a global team of seasoned professionals with backgrounds in leadership development, program design, workshops, instrumentation/metrics, and coaching.

Each member of our team has specific expertise in his or her own right. Collectively we have consulted and conducted programs on six continents with many of the world’s leading companies and institutions.

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